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SENSITIVE

AF FOR DAS TODD MOSS FROM AMBASSADOR JACKSON

SIPDIS

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SUBJECT: BURKINA FASO: SCENESETTER FOR JUNE 3-4 VISIT OF AF DAS TODD MOSS

11. Introduction: In his 20th year in power, President Blaise Compaore is taking Burkina Faso, a country wracked by extreme poverty, in the right direction: moving forward on the process of democratization, working with donors and others to ensure the nation's economic stability, turning away from the negative regional role Burkina has played in the past, and seeking better relations with the United States, in part to balance Burkina's long-time partners such as Libya, Cuba and France. Compaore overwhelmingly won re-election in November 2005, and his party won 73 of the 111 legislative seats in the May 2007 elections, and allied parties a further 25 seats. The United States remains popular in this majority Muslim country. Compaore appointed his former Ambassador to Washington, Tertius Zongo, as his Prime Minister in June, thus demonstrating his desire to continue to improve U.S.-Burkina Faso relations. U.S. priorities in Burkina Faso are: democracy and human rights, regional stability and the war on terrorism, economic development, and mutual understanding. End Introduction.

Economic Challenges In One of World's Poorest Countries

12. Poverty and Unrest: Burkina Faso, one of the world's poorest countries, lies at the edge of the hot, arid Sahel. Its average citizen scarcely ekes out a living on approximately \$430 a year in a nation that has few natural resources. Eighty percent of the population of 14.25 million relies on subsistence agriculture. The country faces low literacy rates, especially among women, along with high unemployment and school drop-out rates. Malnutrition continues to be near crisis levels. Sub-standard environmental and living conditions, compounded by low education levels and gender inequities, trap most Burkinabe at the margins of the economy.

13. Burkina Faso was ranked 176th out of 177 countries in the 2007 UN Development Programme's (UNDP) Human Development Index (HDI), ahead of only Sierra Leone. In absolute terms, while Burkina Faso has made significant progress in recent years in the HDI parameters, particularly in primary education, it made less progress than peer countries, particularly in secondary education.

14. Burkina Faso's incidence of poverty steadily lowered from 46.2 percent in 2003 to 42.1 percent in 2006. With a slowing economy in 2007, however, the incidence of poverty in Burkina Faso rose from 42.1 percent in 2006 to 42.6 percent. Poverty in Burkina Faso continues to be an overwhelming rural phenomenon with a disproportionate number of poor living in rural areas (49.1 percent) compared to urban areas (16.6 percent). At the same time, increasingly difficult conditions for urban poor may have been a factor strengthening support in several cities in Burkina Faso for a series of marches and protests starting in February against rising food and other living costs.

15. Corruption: As in many African countries, widespread corruption has been a significant drag on Burkina Faso's development. Many observers believe the corruption problem here is worsening. Consistent with this, Burkina Faso's ranking on Transparency International's corruption index tumbled from 10th in Africa and 79th worldwide in 2006, to 17th in Africa and 105th worldwide in 2007. While Prime Minister Zongo was behind the December 2007 creation of a new anti-corruption body, this entity lacks independence, is overly dependent on the Prime Ministry, and lacks subpoena and prosecutorial powers. Zongo, a skilled communicator with the donor community, has made fervent promises to attack corruption. Without a green light from President Compaore to follow through, however, we remain skeptical about Zongo's ability to achieve real progress.

16. One bright spot has been the Government's effort to facilitate business. The World Bank ranked Burkina Faso (GOBF) 5th-ranked out of 46 African countries early in 2008 for its business climate reforms in three areas: starting a business, registering property, and enforcing contracts. The GOBF plans new reforms on access to credit, taxation, construction permits, government procurement, and anti-competitive practices.

17. Economic Shocks Slow Growth, Stoke Inflation: Burkina Faso has been subjected to several economic shocks during the past three years, including rising oil prices and a cotton sector crisis brought on in part because of lower world cotton prices quoted in depreciating dollars, and production inputs priced in an appreciating local currency. GDP growth slowed from 7.1 percent in 2005, to 6.4 percent in 2006, and 4.2 percent in 2007. The current account deficit rose in 2007, and will widen further in 2008. Although the inflation rate was a negative 0.3 percent through the

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first half of 2007, a dramatic rise in world oil and food prices caused Burkina Faso's Consumer Price Index (CPI) to soar in the second half of the year, from 118.6 in July 2007 to 122.6 by the end of December. Anecdotal evidence strongly suggests that the CPI again rose sharply in the first quarter of 2008, with large increases in prices for basic food commodities such as rice and bread, as well as a continued ripple effect through the economy of higher oil prices.

18. Cotton: Burkina Faso is the largest producer in West Africa of cotton, its primary export. Several years ago, Burkina bet on cotton as a key agricultural money earner, and cotton now accounts for 60 to 70 percent of the country's export earnings. However, a decline in world cotton prices, the rising cost of fertilizers and pesticides, and a lack of rainfall led to reduced planting and harvest and a 2007-2008 crop that was 32 percent below expectations.

The GOBF recently adopted a new formula-based producer price mechanism for the cotton sector that more accurately reflects changes in world prices. It also recapitalized the main cotton parastatal at a cost of one percent of GDP. These efforts should strengthen cotton production and ginning, although unpredictable weather conditions and lower cotton prices could cut profitability.

19. Burkinabe, including senior government officials and farmers in the countryside, generally blame U.S. (and European) subsidies for the low world market price for cotton. USAID launched in 2007 a regional West Africa Cotton Improvement Program (\$27 million) to assist the four major West Africa cotton-producing countries to improve production, transformation and marketing of cotton.

10. Burkina is also in the vanguard with its experimental trials of biotech cotton in partnership with the U.S. company Monsanto. After years of field trials, the company had planned to begin growing biotech cotton during the 2008-2009 season. These plans hit a snag in late May, however, when Burkina Faso imposed liability requirements on biotech cotton that it could not accept. Limited Brands recently concluded a contract to purchase some of Burkina's high quality cotton for its Victoria's Secret brand garments. An international entrepreneur who manufactures U.S. ginning equipment is close to concluding a series of contracts that would permit him to build plants to produce bio-diesel using cotton seeds.

¶11. Mining: The mining sector is one of the economy's most promising sectors, and over the longer-term could help Burkina Faso reduce its dependence on the cotton sector. Although mining now only accounts for about two percent of gross domestic product (GDP), Burkina Faso may be on the cusp of discovering and exploiting a diverse trove of mineral resources, such as zinc, phosphate, manganese and possibly uranium. Gold, only recovered in recent years by artisanal mining, is already Burkina Faso's third-leading export after cotton and livestock. The country's gold production is forecast to increase six-fold between 2007 and 2012, at which point it will rival neighboring Mali as Africa's third largest gold producer. High River Gold Company (HRG), a Canadian company with significant U.S. investment, opened Burkina Faso's only commercial gold mine last October - the pay dirt of a mining code that was significantly improved in 2004.

Politics: President Likely in Power Until 2015

¶12. President Compaore first came to power in 1987 in a coup that overthrew and killed his long-time political ally, Thomas Sankara, who himself had come to power in a coup four years earlier. For many in Burkina Faso, and indeed in West Africa, Sankara had represented a utopian vision of a different Africa, but his four years in office had left the country in economic shambles, and with a poor human rights record. Compaore's early years in power were not much better, and he compounded Burkina's poor regional reputation during the 1990s by involving the country in the illegal diamonds for arms trade in war-torn Liberia and Sierra Leone and by reportedly sending Burkinabe soldiers in support of his allies in the war zones.

¶13. However in the late 1990s, following a period of rising civil discontent that followed the killing of an immensely popular journalist critical of the government, Compaore and his government began to move toward greater opening.

¶14. In 2005, President Compaore was reelected to a third term with 80 percent of the vote. Observers considered the election to have been generally free, despite minor irregularities, but not entirely fair due to the ruling party's control of official resources. He is expected to run for his second and last five-year term in 2010.

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Whether he will attempt to change the constitution to allow himself another term in 2015 remains to be seen. Some observers believe Compaore will urge his brother, Francois, to run for the Presidency in 2015.

¶15. The 2002 legislative elections brought a significant opposition presence to the National Assembly. During the 2007 legislative elections, however, opposition parties retrenched, losing a number of seats.

¶16. The government also initiated a decentralization process in the early 1990's. The final step in that process was the election in April 2006 of local governments for 350 newly created urban and rural municipalities. These elections resulted in an unparalleled increase in the number of female officials (5000 out of nearly 18,000). The President's ruling party won nearly two-thirds of local council seats. While local populations have felt empowered by decentralization, local governments still struggle to carry out even basic functions because the central government has not shared sufficient tax revenues.

Foreign Relations

¶17. You will be arriving in Burkina Faso at a time when President Compaore and his country are in the regional and even global limelight. He was reelected in early 2008 for another year as head of ECOWAS and WAEMU. Compaore's crowning foreign policy achievement was to negotiate a peace settlement in March 2007 between the government of Cote d'Ivoire and rebels based in the north, hoping that his efforts would not result in another discarded agreement. Compaore's admirers suggest that he is in the perfect position to lead the peace efforts there because of his personal relationships

with both President Gbagbo and rebel leader Guillaume Soro - a view point corroborated by Compaore's successful efforts to convince the principal Ivorian protagonists to confirm their support on May 9 in Yamoussoukro their intention to support Presidential elections now scheduled for November 30. Under the auspices of ECOWAS, he also continues to closely monitor Guinea. Prior to assuming the ECOWAS mantle, he was heavily engaged in resolving Togo's political crisis.

¶18. Reflecting Burkina Faso's 2008-2009 UNSC seat, Compaore's Government has received a series of high-level visitors, including Deputy Secretary Negroponte in November, and the Foreign Ministers of France in January and Germany in February. In part because Compaore is the current head of ECOWAS and WAEMU, his government was also invited to the first India-Africa Summit in New Delhi in April, and to Israel's 60th anniversary celebrations in May. Compaore chose to travel to Israel in part because of his on-going effort to secure a White House visit. Later in May, Compaore attended Japan's Africa summit (TICAD-4), and the inauguration of the new President of Taiwan, with which Burkina Faso has diplomatic relations. (Burkina Faso, one of only four African countries retaining diplomatic ties with Taipei, imports a large amount of Chinese goods, but there is no significant investment here from China.)

Relations with the United States

¶19. Bilateral relations are excellent, and Burkina Faso has been generally supportive of U.S. efforts in the War on Terror. One newspaper here referred to the emerging relationship between our countries as the "Ouaga-Ouashington Axis," and many perceive that Burkina's Faso qualification for AGOA benefits in 2004, and acceptance into the Millennium Challenge Corporation (MCC) threshold country and compact program, as the first fruits of this new policy. MCC funded 132 primary school complexes (\$13 million) with emphasis on girls' education; and is working to develop a second phase of this program to add classrooms for grades 4-6. MCC and Burkina Faso concluded in May negotiations on a \$481 million, five-year Compact, which was approved by the GOBF Council of Ministers on May 24, and is expected to be approved by MCC's board on June 17. Baring a last-minute rescission of MCC's overall budget - a low-probability nightmare that has surfaced in recent days -- both governments hope to sign the Compact on July 16 in Washington. Compaore, eager for a meeting with POTUS, has been putting tremendous pressure on Ambassador Yonli to wrangle a White House invitation.

¶20. Burkina Faso has been as helpful to the United States as it can be in the UN, given the pressure it faces from the Africa group to oppose us on some issues. Burkina Faso, for example, was the second sub-Saharan African country after Senegal to recognize Kosovo. Burkina Faso's contribution to troops to Darfur, hosting of Joint Special Operations Aviation Detachment (JSOAV) in Ouagadougou, and

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its cooperation on anti-terrorism in the trans-Saharan region also deserve our strongest praise. Burkina Faso will be only just over six months into its two-year stint as non-permanent member of the UN Security Council, and a mid-July meeting with POTUS around the time of the MCC compact would build us enormous goodwill.

¶21. USAID's programs include nutrition, school feeding, health, education, and trade promotion. There are 104 Peace Corps volunteers and trainees in Burkina Faso. The Departments of Agriculture and Commerce have small programs in Burkina Faso, and the Centers for Disease Control have posted experts in meningitis and in measles at World Health Organization in Ouagadougou.

¶22. Military ties are also strengthening. The GOBF is one of our newest partners in the Africa Contingency Operations Training Assistance (ACOTA) program. The United States has already trained three 750-man battalions for peace support operations. We have also partially equipped a battalion that may deploy to Darfur as early as November 2008. Using a small International Military Education and Training (IMET) budget, the Embassy has established an English lab at a military base, and has maximized attendance at officer basic courses. Representatives from

the Ministry of Defense have attended Africa Center for Strategic Studies seminars. The government is eager for additional training, especially in counter-terrorism, and warmly welcomed the opportunity to contribute to the support of U.S. efforts in the Sahel by providing a base for JSOAD. The GOBF recently signed a bilateral Status of Forces Agreement (SOFA).

New Embassy Compound

¶23. The Embassy held a formal groundbreaking on our new, \$78 million dollar New Embassy Compound (NEC) on April 1, with commissioning expected in January 2010. Several new Embassy staff members and family have come from OBO and DS to work on the NEC project.

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